

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

# NORTH CEDAR COMMUNITY SCHOOL DISTRICT

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NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Officials  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Tessa Holst	Board President	2015
Duane Stonerook	Board Vice President	2015
Jane Malaby	Board Member	2015
Aaron Horman	Board Member	2017
Vicki Bendixen	Board Member	2017
<b>School Officials</b>		
Michael Cooper	Superintendent	2015
Jean Esbaum	District Secretary	Indefinite
Brian Gruhn	Attorney	Indefinite

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
North Cedar Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Cedar Community School District, Clarence, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### Basis for Disclaimer of Opinion

The financial statements of the North Cedar Community School District Foundation have not been audited, and I was not engaged to audit the Foundation financial statements as part of my audit of the North Cedar Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because I was not engaged to audit the Foundation's financial statements and because I did not apply any auditing procedures to the Foundation's financial statements, I do not express an opinion on the discretely presented component unit.

#### Disclaimer of Opinion

Because the Foundation's financial statements have not been audited, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the discretely presented component unit of the North Cedar Community School District, as of and for the year ended June 30, 2015.

#### Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Cedar Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Emphasis of Matter

As discussed in Note 13 to the financial statements, North Cedar Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

#### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's

Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 17 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Cedar Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 3, 2016, on my consideration of North Cedar Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing

Standards in considering North Cedar Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 3, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

North Cedar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,611,175 in fiscal 2014 to \$9,047,235 in fiscal 2015, and General Fund expenditures decreased from \$9,480,408 in fiscal 2014 to \$9,127,136 in fiscal 2015. The District's General Fund balance decreased from \$902,447 in fiscal 2014 to \$808,546 in fiscal 2015, an 11% decrease.
- The decrease in General Fund revenues was attributable to less state and other revenue sources in fiscal 2015. Also, additional staff positions, technology purchases and general maintenance. The district's General Fund balance decrease is attributable to a number of technology upgrades and adding Stem and Virtual Reality classrooms. State-of-the-art technology has been added in several areas.
- The decrease in General Fund interest earnings resulted from a drop in available rates. Comparison information from the last four years is shown below.

2011 \$13,950	2012 \$9,900	2013 \$9,052	2014 \$6,240
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### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of North Cedar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Cedar Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Cedar Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and nonmajor enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**North Cedar Community School District Annual Financial Report**

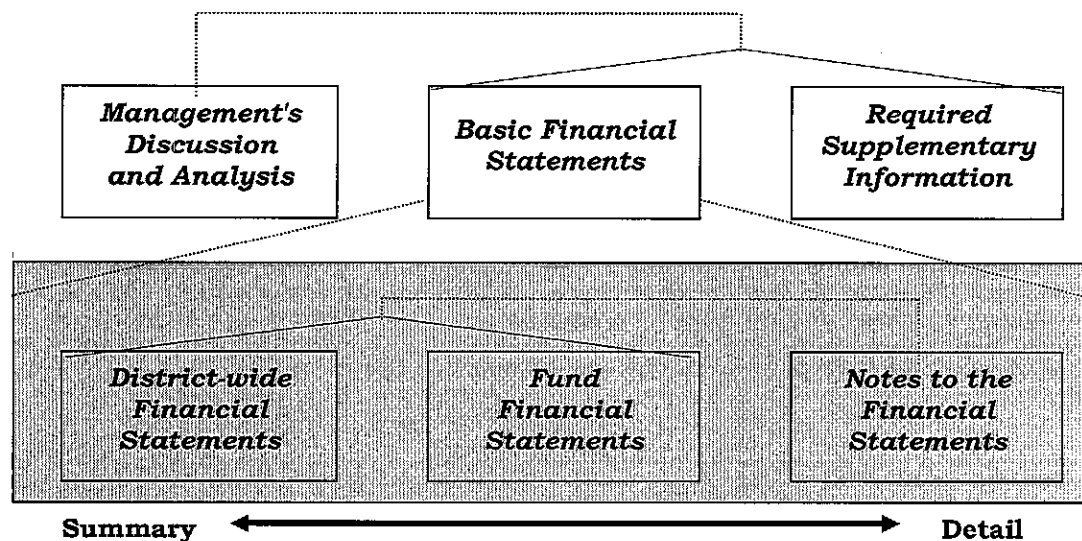


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, daycare program and partially self-funded health insurance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and daycare program are included here.
- *Component Unit:* This includes the activities of the North Cedar Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Daycare Fund. Internal service funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the employee benefit fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the Private-Purpose Trust Fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

## Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 10,480,658	\$ 14,837,717	\$ 16,635	\$ 7,544	\$ 10,497,293	\$ 14,845,261	-29.29%
Capital assets	14,622,950	11,279,750	46,189	32,724	14,669,139	11,312,474	29.67%
Total assets	25,103,608	26,117,467	62,824	40,268	25,166,432	26,157,735	-3.79%
Deferred outflows of resources	734,285	-	25,131	-	759,416	-	100.00%
Long-term liabilities	14,066,380	12,309,994	105,472	-	14,171,852	12,309,994	15.12%
Other liabilities	929,146	273,875	10,242	6,049	939,388	279,924	235.59%
Total liabilities	14,995,526	12,583,869	115,714	6,049	15,111,240	12,589,918	20.03%
Deferred inflows of resources	561,746	4,160,642	40,224	-	601,970	4,160,642	-85.53%
Net position							
Net investment in							
capital assets	4,217,928	4,889,515	46,189	32,724	4,264,117	4,922,239	-13.37%
Restricted	3,601,452	3,063,434	-	-	3,601,452	3,063,434	17.56%
Unrestricted	(2,594,159)	1,420,007	(114,172)	1,495	(2,708,331)	1,421,502	-290.53%
Total net position	\$ 5,225,221	\$ 9,372,956	\$ (67,983)	\$ 34,219	\$ 5,157,238	\$ 9,407,175	-45.18%

The District's total net position decreased by approximately 45%, or \$4,249,937, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$538,018, or approximately 18% over the prior year. The District's restricted net position increased due to changes outside the control of the district in program revenues, expense, and related debt.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$4,129,833, or approximately 291%. This decrease in unrestricted net position was a result of staffing increases, technology purchases, general maintenance projects and the District's net pension liability net pension expenses recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,960,012 and \$127,954, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year

2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

Change in Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service	\$ 1,241,680	\$ 664,096	\$ 272,298	\$ 266,327	\$ 1,513,978	\$ 930,423	62.72%
Operating grants	1,296,934	1,271,984	224,589	247,566	1,521,523	1,519,550	0.13%
General revenues							
Property tax	4,679,003	4,479,825	-	-	4,679,003	4,479,825	4.45%
Statewide sales, services and use tax	805,297	752,808	-	-	805,297	752,808	6.97%
Unrestricted state grants	3,922,513	3,768,220	-	-	3,922,513	3,768,220	4.09%
Unrestricted investment earnings	55,433	99,668	13	12	55,446	99,680	-44.38%
Other	<u>3,779</u>	<u>22,318</u>	<u>-</u>	<u>-</u>	<u>3,779</u>	<u>22,318</u>	-83.07%
Total revenues	<u>12,004,639</u>	<u>11,058,919</u>	<u>496,900</u>	<u>513,905</u>	<u>12,501,539</u>	<u>11,572,824</u>	8.02%
Program expenses							
Governmental activities							
Instruction	6,717,413	7,158,749	-	-	6,717,413	7,158,749	-6.16%
Support services	3,042,878	2,957,116	-	-	3,042,878	2,957,116	2.90%
Non-instructional programs	683,394	1,169	507,523	546,879	1,190,917	548,048	117.30%
Other expenses	<u>1,764,578</u>	<u>1,153,802</u>	<u>-</u>	<u>-</u>	<u>1,764,578</u>	<u>1,153,802</u>	52.94%
Total expenses	<u>12,208,263</u>	<u>11,270,836</u>	<u>507,523</u>	<u>546,879</u>	<u>12,715,786</u>	<u>11,817,715</u>	7.60%
Change in net assets before transfers	(203,624)	(211,917)	(10,623)	(32,974)	(214,247)	(244,891)	-12.51%
Capital contribution	-	-	22,375	-	22,375	-	100.00%
Sale of general fixed assets	29,901	-	-	-	29,901	-	100.00%
Transfers	<u>(14,000)</u>	<u>(27,500)</u>	<u>14,000</u>	<u>27,500</u>	<u>-</u>	<u>-</u>	0.00%
Change in net position	(187,723)	(239,417)	25,752	(5,474)	(161,971)	(244,891)	-33.86%
Net position beginning of year, as restated	<u>5,412,944</u>	<u>9,612,373</u>	<u>(93,735)</u>	<u>39,693</u>	<u>5,319,209</u>	<u>9,652,066</u>	-44.89%
Net position end of year	<u>\$ 5,225,221</u>	<u>\$ 9,372,956</u>	<u>\$ (67,983)</u>	<u>\$ 34,219</u>	<u>\$ 5,157,238</u>	<u>\$ 9,407,175</u>	-45.18%

In fiscal year 2015, property tax and unrestricted state grants accounted for approximately 71% of governmental activities revenue while

charges for service and sales and operating grants accounted for almost 100% of business type activities revenue.

The District's total revenues were approximately \$12.5 million, of which approximately \$12 million was for governmental activities and \$496,900 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase in revenues of approximately 8% and an 8% increase in expenses. Unrestricted state grants, property tax and charges for services revenues increased. The 8% increase in both revenues and program expenses helped the district maintain a balance while trying to remain under budget.

### Governmental Activities

Revenues for governmental activities were \$12,004,639 and expenses were \$12,208,263 for the year ended June 30, 2015. Several state-of-the-art labs were added during the year including technology upgrades in many areas. This caused an increase in program expense.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014- 2015	2015	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 6,717,413	\$ 7,158,749	-6.2%	\$ 4,575,318	\$ 5,586,085	-18.1%
Support services	3,042,878	2,957,116	2.9%	3,032,278	2,948,491	2.8%
Non-instructional programs	683,394	1,169	100.0%	657,145	1,169	100.0%
Other expenses	<u>1,764,578</u>	<u>1,153,802</u>	52.9%	<u>1,404,908</u>	<u>799,011</u>	75.8%
Total expenses	<u>\$12,208,263</u>	<u>\$ 11,270,836</u>	8.3%	<u>\$ 9,669,649</u>	<u>\$ 9,334,756</u>	3.6%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,241,680.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,296,934.
- The net cost of governmental activities was financed with \$5,484,300 in property and other taxes and \$3,922,513 in unrestricted state grants.



## **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$496,900 representing a decrease of approximately 4% from the prior year, while expenses totaled \$507,523, a decrease of approximately 8% from the prior year. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2015, the District did increase meal prices to cover additional costs related to the program. The District considers meal price increases only when deemed necessary to meet the obligations of the School Nutrition Fund. However, food and salary/benefit costs continue to increase. The District will review and determine if an increase in meal prices is necessary for the next year. However, the District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, North Cedar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,257,978. The primary reason for the decrease in combined fund balances in fiscal 2015 is due to refunding of general obligation bonds and construction projects started and nearly completed during the fiscal year.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Decreased revenue is partially due to a drop in enrollment and an increase in open enrollment out. Increased expenses are due to increased staff, upgrades to athletic facilities, staff training costs, general maintenance projects and technology equipment and infrastructure purchases.
- The General Fund balance decreased from \$902,447 to \$808,546, due to increases in salaries and benefit expenditures and a permanent transfer made to the School Nutrition Fund.
- The Capital Project - Statewide Sales, Services and Use Tax Fund balance increased from \$2,107,672 at June 30, 2014 to \$2,656,937 at June 30, 2015 due to issuance of revenue bonds and a capital lease.
- The Debt Service Fund balance decreased from \$5,632,796 at June 30, 2014 to \$4,355 at June 30, 2015 due to the call and redemption of general obligation bonds.

## **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$(93,735) at June 30, 2014 to \$(67,983) at June 30, 2015, representing an increase of approximately 28%. This is due primarily to capital contribution and transfer from the General Fund. However, there were also increased costs in operating expenditures for food and related costs, and a staff position being added. Also, our school runs four individual kitchens (one in each building) with fully-staffed kitchens. However, the District also reflected the related expenses for the net pension liability, which caused an overall reduction of net position.

## **BUDGETARY HIGHLIGHTS**

The District did not amend its budget during the year ended June 30, 2015.

The District's total revenues were \$35,454 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in other revenue than originally anticipated.

Total expenditures were \$2,793,677 more than budgeted, due primarily to the call and redemption of \$5,865,000 of general obligation bonds and the pension expense recognized from the implementation of GASB Statement No. 68. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. District management is able to track spending by checking on a daily basis to keep expenditures under control.

In spite of the District's budgeting practice, the certified budget was exceeded in the other expenditures function and total expenditures due to the timing of expenditures at year-end.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$14,669,139 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 30% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$417,770.

The original cost of the District's capital assets was \$21,869,662. Governmental funds account for \$21,670,829, with the remainder of \$198,833 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which increased by \$3,391,739 due to the remodeling and renovation projects at the Clarence and Mechanicsville buildings.

Figure A-6

## Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 125,534	\$ 146,834	\$ -	\$ -	\$ 125,534	\$ 146,834	-14.51%
Construction in progress	3,391,739	-	-	-	3,391,739	-	100%
Buildings and improvements	9,583,532	9,791,065	-	-	9,583,532	9,791,065	-2.12%
Improvements, other than buildings	513,128	419,925	-	-	513,128	419,925	22.20%
Furniture and equipment	<u>1,009,017</u>	<u>921,926</u>	<u>46,189</u>	<u>32,724</u>	<u>1,055,206</u>	<u>954,650</u>	10.53%
Totals	<u>\$14,622,950</u>	<u>\$11,279,750</u>	<u>\$46,189</u>	<u>\$32,724</u>	<u>\$14,669,139</u>	<u>\$11,312,474</u>	29.67%

**Long-Term Debt**

At June 30, 2015, the District had \$14,171,852 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 14% over last year (see Figure A-7). Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15 million.

In July, 2014, the District entered into a capital lease for \$455,081. The lease was to purchase student computers and will be repaid over the next two fiscal years. In June, 2015 \$5,865,000 of general obligation bonds were called and redeemed and in September, 2014 the District issued \$4,370,000 of revenue bonds.

Figure A-7  
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014		
	2015	Restated	2014-2015
Governmental activities			
General obligation bonds	\$ -	\$ 5,865,000	-100.00%
Refunding bonds	5,610,000	5,610,000	0.00%
Capital leases	425,022	245,235	100.00%
Revenue bonds	4,370,000	280,000	1460.71%
Net pension liability	3,264,247	4,440,970	
Termination benefits	194,868	156,700	24.36%
Net OPEB liability	<u>202,243</u>	<u>153,060</u>	32.13%
	14,066,380	16,750,965	-16.03%
Business type activities			
Net pension liability	<u>105,472</u>	<u>143,494</u>	-26.50%
Totals	<u>\$14,171,852</u>	<u>\$16,894,459</u>	-16.12%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- Enrollment must remain stable or increase. District funding is driven by enrollment; therefore future enrollment stability is a critical element in maintaining a sound financial foundation. The District anticipates a decline in K-12 enrollment and a greater number of open-enrolled out students than open-enrolled in students.
- The District negotiated a new agreement with the North Cedar Education Association (NCEA) for fiscal 2016. Settlements in excess of "new money" or allowable growth in state funding for Certified as well as Classified staff will have an adverse effect on the District's General budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jean Esbaum, District Secretary/Treasurer and Business Manager, North Cedar Community School District, 400 Ball Street, Clarence, Iowa, 52216.

## Basic Financial Statements

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental	Business Type		Component Unit
	Activities	Activities	Total	Foundation
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 5,277,886	\$ 9,486	\$ 5,287,372	\$ -
Investments	-	-	-	471,032
Receivables				
Property tax				
Delinquent	45,480	-	45,480	-
Succeeding year	4,372,256	-	4,372,256	-
Accounts receivable	208	-	208	-
Income surtaxes	475,830	-	475,830	-
Due from other governments	308,998	-	308,998	-
Inventories	-	7,149	7,149	-
Non-depreciable capital assets	3,517,273	-	3,517,273	-
Capital assets, net of accumulated depreciation	11,105,677	46,189	11,151,866	-
Total assets	25,103,608	62,824	25,166,432	471,032
<b>Deferred Outflows of Resources</b>				
Pension related deferred outflows	734,285	25,131	759,416	-
<b>Liabilities</b>				
Accounts payable	603,977	-	603,977	-
Due to other governments	198,888	-	198,888	-
Salaries and benefits payable	49,668	3,996	53,664	-
Unearned revenue	-	6,246	6,246	-
Accrued interest payable	76,613	-	76,613	-
Long-term liabilities				
Portion due within one year				
General obligation bonds payable	570,000	-	570,000	-
Revenue bonds payable	190,000	-	190,000	-
Capital leases payable	273,334	-	273,334	-
Termination benefits payable	91,531	-	91,531	-
Portion due after one year				
General obligation bonds payable	5,040,000	-	5,040,000	-
Revenue bonds payable	4,180,000	-	4,180,000	-
Capital leases payable	151,688	-	151,688	-
Termination benefits payable	103,337	-	103,337	-
Net pension liability	3,264,247	105,472	3,369,719	-
Net OPEB liability	202,243	-	202,243	-
Total liabilities	14,995,526	115,714	15,111,240	-
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	4,372,256	-	4,372,256	-
Pension related deferred inflows	1,244,890	40,224	1,285,114	-
Total deferred inflows of resources	5,617,146	40,224	5,657,370	-

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
<b>Net Position</b>				
Net investment in capital assets	\$ 4,217,928	\$ 46,189	\$ 4,264,117	\$ -
Restricted for				
Categorical funding	208,494	-	208,494	-
Management levy	89,985	-	89,985	-
Physical plant and equipment	563,991	-	563,991	-
Student activities	82,045	-	82,045	-
School infrastructure	2,656,937	-	2,656,937	-
Assigned for scholarships	-	-	-	471,032
Unrestricted	(2,594,159)	(114,172)	(2,708,331)	-
Total net position	<u>\$ 5,225,221</u>	<u>\$ (67,983)</u>	<u>\$ 5,157,238</u>	<u>\$ 471,032</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
Governmental activities							
Instruction							
Regular instruction	\$ 4,348,887	\$ 994,093	\$ 821,298	\$ -	\$ (2,533,496)	\$ -	\$ (2,533,496)
Special instruction	1,247,995	202,508	97,452	-	(948,035)	-	(948,035)
Other instruction	1,120,531	8,230	18,514	-	(1,093,787)	-	(1,093,787)
	6,717,413	1,204,831	937,264	-	(4,575,318)	-	(4,575,318)
Support services							
Student	226,414	-	-	-	(226,414)	-	(226,414)
Instructional staff	93,736	-	-	-	(93,736)	-	(93,736)
Administration	1,127,130	-	-	-	(1,127,130)	-	(1,127,130)
Operation and maintenance of plant	1,010,501	-	-	-	(1,010,501)	-	(1,010,501)
Transportation	585,097	10,600	-	-	(574,497)	-	(574,497)
	3,042,878	10,600	-	-	(3,032,278)	-	(3,032,278)
Non-instructional programs	683,394	26,249	-	-	(657,145)	-	(657,145)
Other expenses							
Facilities acquisition	564,568	-	-	-	(564,568)	-	(564,568)
Long-term debt interest	516,038	-	-	-	(516,038)	-	(516,038)
AEA flowthrough	359,670	-	359,670	-	-	-	-
Depreciation (unallocated) *	324,302	-	-	-	(324,302)	-	(324,302)
	1,764,578	-	359,670	-	(1,404,908)	-	(1,404,908)
Total governmental activities	12,208,263	1,241,680	1,296,934	-	(9,669,649)	-	(9,669,649)

See notes to financial statements.



NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs (continued) Primary Government (continued)	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Operating Grants, Contributions and Restricted		Capital Grants, Contributions and Restricted	Primary Government			
	Expenses	Charges for Services	Interest	Interest	Governmental Activities	Business Type Activities	
Business type activities							
Non-instructional programs							
Food service operations	\$ 482,745	\$ 242,982	\$ 224,589	\$ -	\$ (15,174)	\$ (15,174)	
Daycare program	24,778	29,316	-	-	4,538	4,538	
Total business type activities	507,523	272,298	224,589	-	(10,636)	(10,636)	
Total primary government	\$12,715,786	\$ 1,513,978	\$ 1,521,523	\$ -	(9,669,649)	(9,680,285)	
Component Unit							
Foundation	\$ -	\$ -	\$ -	\$ -			\$ (13,720)
General Revenues							
Property tax levied for							
General purposes				3,695,383	-	3,695,383	-
Debt service				671,410	-	671,410	-
Capital outlay				312,210	-	312,210	-
Statewide sales, services and use tax				805,297	-	805,297	-
Unrestricted state grants				3,922,513	-	3,922,513	-
Contributions and donations				-	-	-	-
Unrestricted investment earnings				55,433	13	55,446	3,250
Miscellaneous				3,779	-	3,779	4,389
Sale of general fixed assets				29,901	-	29,901	-
Capital contributions				-	22,375	22,375	-
Transfers				(14,000)	14,000	-	-
Total general revenues, capital contributions and transfers				9,481,926	36,388	9,518,314	7,639
Change in net position				(187,723)	25,752	(161,971)	(6,081)
Net position beginning of year, as restated				5,412,944	(93,735)	5,319,209	477,113
Net position end of year				\$ 5,225,221	\$ (67,983)	\$ 5,157,238	\$ 471,032

\* This amount excludes the depreciation included in the direct expenses of the various programs.  
See notes to financial statements.

## NORTH CEDAR COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 909,844	\$3,050,295	\$ -	\$ 795,686	\$4,755,825
Receivables					
Property tax					
Delinquent	33,212	-	7,275	4,993	45,480
Succeeding year	3,284,329	-	671,480	416,447	4,372,256
Accounts receivable	208	-	-	-	208
Income surtax	333,081	-	-	142,749	475,830
Due from other governments	182,526	126,472	-	-	308,998
Due from other funds	-	2,920	-	-	2,920
Total assets	<u>\$4,743,200</u>	<u>\$3,179,687</u>	<u>\$678,755</u>	<u>\$1,359,875</u>	<u>\$9,961,517</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 68,688	\$ 522,750	\$ -	\$ 12,539	\$ 603,977
Salaries and benefits payable	49,668	-	-	-	49,668
Due to other governments	198,888	-	-	-	198,888
Due to other funds	-	-	2,920	-	2,920
Total liabilities	<u>317,244</u>	<u>522,750</u>	<u>2,920</u>	<u>12,539</u>	<u>855,453</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	3,284,329	-	671,480	416,447	4,372,256
Income surtax	333,081	-	-	142,749	475,830
Total deferred inflows of resources	<u>3,617,410</u>	<u>-</u>	<u>671,480</u>	<u>559,196</u>	<u>4,848,086</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	208,494	-	-	-	208,494
School infrastructure	-	2,656,937	-	-	2,656,937
Debt service	-	-	4,355	-	4,355
Student activities	-	-	-	82,045	82,045
Management levy purposes	-	-	-	284,853	284,853
Physical plant and equipment	-	-	-	421,242	421,242
Unassigned	600,052	-	-	-	600,052
Total fund balances	<u>808,546</u>	<u>2,656,937</u>	<u>4,355</u>	<u>788,140</u>	<u>4,257,978</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,743,200</u>	<u>\$3,179,687</u>	<u>\$678,755</u>	<u>\$1,359,875</u>	<u>\$9,961,517</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds</b>		<b>\$ 4,257,978</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		14,622,950
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		475,830
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(76,613)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 734,285	
Deferred inflows of resources	<u>(1,244,890)</u>	(510,605)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.		522,061
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(14,066,380)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 5,225,221</u></b>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

		Capital Projects Statewide			
	General	Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
Revenues					
Local sources					
Local tax	\$3,361,107	\$ -	\$ 671,410	\$ 597,786	\$ 4,630,303
Tuition	375,677	-	-	-	375,677
Other	66,811	3,047	91,742	188,539	350,139
State sources	5,013,320	805,297	-	-	5,818,617
Federal sources	230,320	-	-	-	230,320
Total revenues	<u>9,047,235</u>	<u>808,344</u>	<u>763,152</u>	<u>786,325</u>	<u>11,405,056</u>
Expenditures					
Current					
Instruction					
Regular	3,843,356	455,081	-	73,732	4,372,169
Special	1,265,673	-	-	-	1,265,673
Other	927,188	-	-	208,882	1,136,070
	<u>6,036,217</u>	<u>455,081</u>	<u>-</u>	<u>282,614</u>	<u>6,773,912</u>
Support services					
Student	231,062	-	-	-	231,062
Instructional staff	98,588	-	-	-	98,588
Administration	1,109,550	7,025	-	31,312	1,147,887
Operation and maintenance of plant	765,591	-	-	265,910	1,031,501
Transportation	526,458	-	-	83,014	609,472
	<u>2,731,249</u>	<u>7,025</u>	<u>-</u>	<u>380,236</u>	<u>3,118,510</u>
Other expenditures					
Facilities acquisition	-	4,015,149	-	225,199	4,240,348
Long-term debt					
Principal	-	-	6,420,294	-	6,420,294
Interest and fiscal charges	-	1,000	577,204	-	578,204
AEA flowthrough	359,670	-	-	-	359,670
	<u>359,670</u>	<u>4,016,149</u>	<u>6,997,498</u>	<u>225,199</u>	<u>11,598,516</u>
Total expenditures	<u>9,127,136</u>	<u>4,478,255</u>	<u>6,997,498</u>	<u>888,049</u>	<u>21,490,938</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
(Deficiency) of revenues (under) expenditures	\$ (79,901)	\$(3,669,911)	\$(6,234,346)	\$(101,724)	\$(10,085,882)
Other financing sources (uses)					
Proceeds from disposal of real property	-	-	-	72,501	72,501
Proceeds from issuance of bonds	-	4,370,000	-	-	4,370,000
Proceeds from issuance of capital lease	-	455,081	-	-	455,081
Transfers in	-	-	605,905	-	605,905
Transfers (out)	(14,000)	(605,905)	-	-	(619,905)
Total other financing sources (uses)	(14,000)	4,219,176	605,905	72,501	4,883,582
Change in fund balances	(93,901)	549,265	(5,628,441)	(29,223)	(5,202,300)
Fund balance, beginning of year	902,447	2,107,672	5,632,796	817,363	9,460,278
Fund balance, end of year	\$ 808,546	\$ 2,656,937	\$ 4,355	\$ 788,140	\$ 4,257,978

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit F

**Change in fund balances - total governmental funds** \$(5,202,300)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 3,794,659	
Loss on disposal of capital assets	(42,600)	
Depreciation expense	<u>(408,859)</u>	3,343,200

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 24,508

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (5,917)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issued	(4,825,081)	
Repaid	<u>6,420,293</u>	1,595,212

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	(38,168)	
Pension expense	(268,048)	
Other postemployment benefits	<u>(49,183)</u>	(355,399)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (40,235)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 453,208

**Change in net position of governmental activities** \$ (187,723)

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

Exhibit G

	Business Type <u>Activity</u> Nonmajor Enterprise Funds	Governmental <u>Activity</u> Internal Service Fund
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 9,486	\$ 522,061
Inventories	<u>7,149</u>	<u>-</u>
Total current assets	16,635	522,061
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>46,189</u>	<u>-</u>
Total assets	<u>62,824</u>	<u>522,061</u>
<b>Deferred Outflows of Resources</b>		
Pension realated deferred outflows	<u>25,131</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities		
Accrued salaries and benefits	3,996	-
Unearned revenue	<u>6,246</u>	<u>-</u>
Total current liabilities	10,242	-
Noncurrent liabilities		
Net pension liability	<u>105,472</u>	<u>-</u>
Total liabilities	<u>115,714</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Pension related deferred inflows	<u>40,224</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	46,189	-
Unrestricted	<u>(114,172)</u>	<u>522,061</u>
Total net position	<u>\$ (67,983)</u>	<u>\$ 522,061</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit H

	Business Type Activity Nonmajor Enterprise Funds	Governmental Activity Internal Service Fund
Operating revenue		
Local sources		
Charges for service	\$ 272,298	\$ -
Employee contributions	-	622,044
Total operating revenue	<u>272,298</u>	<u>622,044</u>
Operating expenses		
Support services		
Administration		
Salaries	8,259	-
Benefits	4,168	-
Purchased services	3,480	300
Operation and maintenance of plant		
Purchased services	938	-
Total support services	<u>16,845</u>	<u>300</u>
Non-instructional programs		
Food service operations		
Salaries	162,866	-
Benefits	44,926	-
Purchased services	2,967	-
Supplies	246,231	-
Depreciation	8,910	-
	<u>465,900</u>	<u>-</u>
Daycare program		
Salaries	21,235	-
Benefits	1,770	-
Supplies	1,773	-
	<u>24,778</u>	<u>-</u>
Other enterprise		
Benefits	-	683,094
Total non-instructional programs	<u>490,678</u>	<u>683,094</u>
Total operating expenses	<u>507,523</u>	<u>683,394</u>
Operating (loss)	<u>(235,225)</u>	<u>(61,350)</u>
Non-operating revenues		
Interest income	13	55,433
State sources	3,716	-
Federal sources	220,873	-
Total non-operating revenues	<u>224,602</u>	<u>55,433</u>
Net (loss) before transfers and capital contributions	<u>(10,623)</u>	<u>(5,917)</u>
Capital contributions	22,375	-
Transfers in	14,000	-
Change in net position	<u>25,752</u>	<u>(5,917)</u>
Net position beginning of year, as restated	<u>(93,735)</u>	<u>527,978</u>
Net position end of year	<u>\$ (67,983)</u>	<u>\$ 522,061</u>



NORTH CEDAR COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Business Type Activity Nonmajor Enterprise Funds	Governmental Activity Internal Service Fund
Cash flows from operating activities		
Cash received from sale of services	\$ 272,495	\$ -
Cash received from other operations	-	622,044
Cash payments to employees for services	(246,617)	(683,394)
Cash payments to suppliers for goods and services	(220,627)	-
Net cash (used in) operating activities	(194,749)	(61,350)
Cash flows from non-capital financing activities		
Transfers in from other fund	14,000	-
State grants received	3,716	-
Federal grants received	184,036	-
Net cash provided by non-capital financing activities	201,752	-
Cash flows from capital and related financing activities		
Capital contributions	22,375	-
Acquisition of capital assets	(22,375)	-
Net cash used in capital and related financing activities	-	-
Cash flows from investing activities		
Interest on investments	13	55,433
Net increase (decrease) in cash and cash equivalents	7,016	(5,917)
Cash and cash equivalents, beginning of year	2,470	527,978
Cash and cash equivalents, end of year	\$ 9,486	\$522,061
<b>Reconciliation of operating (loss) to net cash</b>		
<b>(used in) operating activities</b>		
Operating (loss)	\$ (235,225)	\$ (61,350)
Adjustments to reconcile operating (loss) to		
net cash (used in) operating activities		
Depreciation	8,910	-
Commodities used	36,837	-
(Increase) in inventory	(2,075)	-
(Decrease) in net pension liability	(38,022)	-
(Increase) in deferred outflows of resources	(9,591)	-
Increase in deferred inflows of resources	40,224	-
Increase in unearned revenue	197	-
(Decrease) in accrued salaries and benefits	3,996	-
Net cash (used in) operating activities	\$ (194,749)	\$ (61,350)

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015 The District received \$36,837 of federal commodities.

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2015

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 178,380
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Reserved for scholarships	<u>\$ 178,380</u>

See notes to financial statements.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 18,005
Interest	<u>642</u>
Total additions	18,647
Deductions	
Non-instructional programs	
Scholarships	<u>3,200</u>
Change in net position	15,447
Net position beginning of year	<u>162,933</u>
Net position end of year	<u><u>\$178,380</u></u>

See notes to financial statements.

## NORTH CEDAR COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

#### **Note 1. Summary of Significant Accounting Policies**

The North Cedar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Mechanicsville, Stanwood, Clarence and Lowden, Iowa, and the agricultural territory in Cedar and Jones Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, North Cedar Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. North Cedar Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

These financial statements present the North Cedar Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

#### **Discretely Presented Component Unit**

The North Cedar Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental Fund in these financial statements. The Foundation financial statements are shown in the Statement of Net Position and the Statement of Activities in separate columns. As explained in the Independent Auditor's opinion, the Foundation financial statements have not been audited.

## Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that attributed to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The Debt Service Fund is utilized to account for property tax and other revenue to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary funds.

The District's enterprise funds are the School Nutrition Fund and Daycare Fund. These funds are used to account for the food service operations and daycare operations of the District, respectively. Additionally, the District reports an Internal Service Fund which is used to account for the flex-benefit plan for District employees.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000



Furniture and equipment:

School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for hours worked by non-certified employees in June 2015, but not paid until July, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources

in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtax not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$563,991 for physical plant and equipment, \$82,045 for student activities, \$2,656,937 for school infrastructure and \$563,991 for management levy purposes.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the other expenditures function and total expenditures exceeded the amounts budgeted.

## F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Diversified Portfolio which are valued at an amortized cost of \$773,922 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**Credit Risk.** This is the risk that a security's credit rating will be downgraded or that the issuer of a security or a guarantor will default (fail to make scheduled interest and principal payments or fail to fulfill its promise to repurchase securities). The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services. The District places no limit on the amount that may be invested in any one issuer.

Component Unit Investments - The Foundation had investments in mutual funds as follows:

Mutual funds \$471,032

### **Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects	
Debt Service	Statewide Sales, Service and Use Tax	\$ 605,905
Nonmajor Enterprise		
School Nutrition	General	14,000
		<u>\$ 619,905</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on debt. The transfers from the General Fund to the School Nutrition Fund were to help alleviate expenses in the School Nutrition Fund.

#### Note 4. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Statewide sales, services and use tax	Debt service	\$ 2,920

The Debt Service Fund had a negative bank balance at June 30, 2015. Since the Debt Service Fund shares a bank account with the Statewide Sales, Services and Use Tax Fund the amount is reported as interfund receivable and payable on the balance sheet. The balance will be repaid during the year ending June 30, 2016.

#### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 146,834	\$ -	\$ (21,300)	\$ 125,534
Construction in progress	-	3,391,739	-	3,391,739
Total capital assets, not being depreciated	146,834	3,391,739	(21,300)	3,517,273
Capital assets being depreciated:				
Buildings and improvements	14,052,549	62,561	(21,300)	14,093,810
Improvements other than buildings	828,324	123,567	-	951,891
Furniture and equipment	2,992,319	216,792	(101,256)	3,107,855
Total capital assets being depreciated	17,873,192	402,920	(122,556)	18,153,556
Less accumulated depreciation for:				
Buildings and improvements	4,261,484	248,794	-	4,510,278
Improvements other than buildings	408,399	30,364	-	438,763
Furniture and equipment	2,070,393	129,701	(101,256)	2,098,838
Total accumulated depreciation	6,740,276	408,859	(101,256)	7,047,879
Total capital assets being depreciated, net	11,132,916	(5,939)	(21,300)	11,105,677
Governmental activities capital assets, net	\$ 11,279,750	\$ 3,385,800	\$ (42,600)	\$ 14,622,950

**Business type activities**

Furniture and equipment	\$ 176,457	\$ 22,376	\$ -	\$ 198,833
Less accumulated depreciation	<u>143,733</u>	<u>8,911</u>	<u>-</u>	<u>152,644</u>
Business type activities capital assets, net	<u>\$ 32,724</u>	<u>\$ 13,465</u>	<u>\$ -</u>	<u>\$ 46,189</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 1,436
Special	526
Other	802
Support services	
Administration	3,102
Operation and maintenance of plant	11,345
Transportation	<u>67,346</u>
	84,557
Unallocated	<u>324,302</u>
Total governmental activities depreciation expense	<u>\$ 408,859</u>

**Business-type activities**

Food services	<u>\$ 8,911</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 5,865,000	\$ -	\$ 5,865,000	\$ -	\$ -
Refunding general obligation bonds	5,610,000	-	-	5,610,000	570,000
Capital leases	245,235	455,081	275,294	425,022	273,334
Revenue bonds	280,000	4,370,000	280,000	4,370,000	190,000
Net pension liability	4,440,970	-	1,176,723	3,264,247	-
Termination benefits	156,700	120,000	81,832	194,868	91,531
Net OPEB liability	<u>153,060</u>	<u>70,048</u>	<u>20,865</u>	<u>202,243</u>	<u>-</u>
Totals	<u>\$ 16,750,965</u>	<u>\$ 5,015,129</u>	<u>\$ 7,699,714</u>	<u>\$ 14,066,380</u>	<u>\$ 1,124,865</u>
Business type activities					
Net pension liability	<u>\$ 143,494</u>	<u>\$ -</u>	<u>\$ 38,022</u>	<u>\$ 105,472</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$516,038 for the year ended June 30, 2015. During the year ended June 30, 2015, the District made principal

payments on total long-term debt of \$6,420,294.

### Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. An employee is deemed to be eligible for this program when they have completed at least fifteen years of contract service as a full-time certificated employee with the North Cedar Community School District and will have attained at least fifty-six years of age on or before June 30 of the current fiscal year. An employee will be deemed to be in their first year of eligibility during the fiscal year in which they meet both longevity and age criteria for the first time.

The early retirement pay for each eligible full-time certified staff member, as defined by the Master Contract or individual contract, shall be calculated based on the current salary schedule, excluding any extra-curricular, Phase II and Phase III monies. An eligible employee, upon early retirement, shall receive an early retirement benefit representing eighty-one days' pay subject to a pro-ration formula.

Additionally, an eligible employee may receive additional per diem pay for unused/accumulated sick leave based on a pro-ration formula. This separation pay shall be made in three equal payments on July 15<sup>th</sup> of the three years following early retirement; one third in July of the retirement year, one third in July of the second year and one third in July of the third year. At June 30, 2015 the District had obligations to eleven former employees for a total of \$194,868.

### Refunded General Obligation Bonds

On February 13, 2013 the District issued \$5,610,000 of general obligation bonds to refund the general obligation bond issue of June 1, 2005. The \$5,865,000 remaining balance of the 2005 issue was called and paid from the proceeds of the refunding general obligation bonds on June 1, 2015. This amount is considered to be extinguished and, therefore, has been excluded from the long-term debt of the District at June 30, 2015. This crossover refunding was undertaken to reduce total debt service payments over the next twelve years by \$630,644 and resulted in an economic gain of \$529,859.

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 13, 2013			
	Interest Rates	Principal	Interest	Total
2016	2.00%	\$ 570,000	\$ 101,281	\$ 671,281
2017	2.00%	575,000	89,881	664,881
2018	2.00%	590,000	78,381	668,381
2019	2.00%	600,000	66,581	666,581
2020	1.25%	615,000	54,581	669,581
2021-2025	1.50-2.0%	2,660,000	128,813	2,788,813
Totals		<u>\$ 5,610,000</u>	<u>\$ 519,518</u>	<u>\$ 6,129,518</u>

## Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of September 4, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.85%	\$ 190,000	\$ 125,287	\$ 315,287
2017	2.85%	195,000	119,801	314,801
2018	2.85%	210,000	114,030	324,030
2019	2.85%	225,000	107,831	332,831
2020	2.85%	230,000	101,347	331,347
2021-2025	2.85%	1,325,000	399,364	1,724,364
2026-2030	2.85-3.10%	<u>1,995,000</u>	<u>184,444</u>	<u>2,179,444</u>
Totals		<u>\$ 4,370,000</u>	<u>\$ 1,152,104</u>	<u>\$ 5,522,104</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,370,000 bonds issued September 4, 2014. The District issued \$4,370,000 of School Infrastructure Sales, Service and Use Tax Revenue Bonds on September 4, 2014 to construct and furnish an addition to the Mechanicsville Elementary Building and the Middle School Building and improving, remodeling and renovating portions of the existing Middle School Building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 40% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,522,104 at June 30, 2015. For the current year, no principal was paid on the bonds but \$41,598 of interest was paid on the bonds. Total statewide sales, services and use tax revenues were \$805,297 for the year ended June 30, 2015.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

## Capital Leases

On October 1, 2013, January 1, 2014 and July 25, 2014 the District entered into capital leases for the purchase of student computers. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2015.

	Year Ending <u>June 30,</u>	Lease <u>10-1-13</u>	Lease <u>1-1-14</u>	Lease <u>7-25-14</u>	<u>Total</u>
Annual lease payment	2016	\$ 79,812	\$ 44,814	\$ 153,341	\$ 277,967
Annual lease payment	2017	-	-	153,341	153,341
Minimum lease payments		79,812	44,814	306,682	431,308
Less amount representing interest		860	484	4,942	6,286
Present value of minimum lease payments		<u>\$ 78,952</u>	<u>\$ 44,330</u>	<u>\$ 301,740</u>	<u>\$ 425,022</u>

## **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)



If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$469,299.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$3,369,719 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the

pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.083262857 percent, which was an increase of 0.00229395026 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$268,048. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 36,622	\$ -
Changes of assumptions	148,713	-
Net difference between projected and actual earnings on pension plan investments	-	1,285,114
Changes in proportion and differences between District contributions and proportionate share of contributions	104,824	-
District contributions subsequent to the measurement date	<u>469,257</u>	<u>-</u>
Total	<u>\$ 759,416</u>	<u>\$ 1,285,114</u>

\$469,257 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (253,484)
2017	(253,484)
2018	(253,484)
2019	(253,484)
2020	<u>18,981</u>
Total	<u>\$ (994,955)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$6,366,989	\$3,369,719	\$839,712

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$3,534 for legally required employer contributions and \$2,777 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 200 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 66,221
Interest on net OPEB obligation	3,827
Adjustment to annual required contribution	<u>(11,508)</u>
Annual OPEB cost	58,540
Contributions made	<u>(9,357)</u>
Increase in net OPEB obligation	49,183
Net OPEB obligation beginning of year	<u>153,060</u>
Net OPEB obligation end of year	<u>\$ 202,243</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$9,357 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

<u>Year Ended June 30.</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 56,665	28.6%	\$ 113,219
2014	\$ 57,588	30.8%	\$ 153,060
2015	\$ 58,540	16.0%	\$ 202,243

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$264,931, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$264,931. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.2 million and the ratio of UAAL to covered payroll was 5.1%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the

future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 9. Risk Management**

The District has a split-funded health insurance plan for its employees where the District "buys down" the premium for employees. The plan's premiums are based on a \$2,500 deductible but employees only pay premiums for a \$500 deductible plan, with the District paying the difference. The policy is for a \$5,000 max out-of-pocket cost per employee but the employee is responsible for only \$750 max out-of-pocket. The District assumes risk for the difference. The District accounts for this insurance plan in the Internal Service Fund and has accumulated a balance of \$522,061 in the fund to cover future insurance premiums and expenses.

In addition, the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$359,670 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

##### Program

Limited English program	\$ 3,717
Home school assistance program	4
Gifted and Talented	15,670
Project Lead the Way	7,327
Beginning teacher mentoring and induction program	49,441
Teacher salary supplement	47,136
Early literacy	27,176
Educator quality, professional development for model core curriculum	32,238
Educator quality, professional development	<u>25,785</u>
	<u>\$ 208,494</u>

#### **Note 13. Accounting Change/Restatement**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was

implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 9,372,956	\$ 34,219
Net pension liability at June 30, 2014	(4,440,970)	(143,494)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>480,958</u>	<u>15,540</u>
Net position July 1, 2014, as restated	<u>\$ 5,412,944</u>	<u>\$ (93,735)</u>

#### **Note 14. Construction Commitment**

The District entered into contracts totaling \$3,434,633 for remodeling and renovations at the Clarence and Mechanicsville buildings. As of June 30, 2015, costs of \$3,239,142 had been incurred against the contracts. The remaining balances on the contracts will be paid as work progresses on the projects, which are expected to be completed in the fall of 2015.

#### **Note 15. Deficit Net Position**

The District's Enterprise Fund – School Nutrition Fund had negative unrestricted net position of \$115,832 and negative total net position of \$69,643 at June 30, 2015. The Total Enterprise Funds and Business Type Activities also had negative unrestricted net position of \$114,172 and negative total net position of \$67,983 at June 30, 2015. The District's Governmental Activities had an unrestricted net position deficit of \$2,594,159 at June 30, 2015.



## Required Supplementary Information

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2015

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 5,356,119	\$ 272,311	\$ 5,628,430	\$6,361,235	\$ 6,361,235	\$ (732,805)
State sources	5,818,617	3,716	5,822,333	5,103,282	5,103,282	719,051
Federal sources	230,320	220,873	451,193	401,985	401,985	49,208
Total revenues	<u>11,405,056</u>	<u>496,900</u>	<u>11,901,956</u>	<u>11,866,502</u>	<u>11,866,502</u>	<u>35,454</u>
<b>Expenditures/Expenses</b>						
Instruction	6,773,912	-	6,773,912	7,930,000	7,930,000	1,156,088
Support services	3,118,510	16,845	3,135,355	3,266,500	3,266,500	131,145
Non-instructional programs	-	490,678	490,678	525,500	525,500	34,822
Other expenditures	11,598,516	-	11,598,516	7,482,784	7,482,784	(4,115,732)
Total expenditures/expenses	<u>21,490,938</u>	<u>507,523</u>	<u>21,998,461</u>	<u>19,204,784</u>	<u>19,204,784</u>	<u>(2,793,677)</u>
(Deficiency) of revenues						
(under) expenditures/expenses	(10,085,882)	(10,623)	(10,096,505)	(7,338,282)	(7,338,282)	(2,758,223)
Net other financing sources	4,883,582	36,375	4,919,957	12,000	12,000	4,907,957
Excess (deficiency) of revenues and other financing						
sources over (under) expenditures/expenses	(5,202,300)	25,752	(5,176,548)	(7,326,282)	(7,326,282)	2,149,734
Balance, beginning of year, as restated	9,460,278	(93,735)	9,366,543	8,832,651	8,832,651	533,892
Balance, end of year	<u>\$ 4,257,978</u>	<u>\$ (67,983)</u>	<u>\$ 4,189,995</u>	<u>\$1,506,369</u>	<u>\$ 1,506,369</u>	<u>\$ 2,683,626</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend its budget.

During the year ended June 30, 2015, expenditures in the other expenditures function and total expenditures exceeded the amounts budgeted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.083262857
District's proportionate share of the net pension liability	\$ 3,369,719
District's covered-employee payroll	\$ 5,255,308
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.12%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 469,299	\$ 496,498	\$ 454,029	\$ 397,041	\$ 351,389	\$ 336,707	\$ 315,231	\$ 283,987	\$ 257,609	\$ 240,657
Contributions in relation to the statutorily required contribution	(469,299)	(496,498)	(454,029)	(397,041)	(351,389)	(336,707)	(315,231)	(283,987)	(257,609)	(240,657)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$5,255,308	\$5,559,888	\$5,236,782	\$4,919,963	\$5,055,957	\$5,063,263	\$4,964,268	\$4,694,000	\$4,480,157	\$4,185,339
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

North Cedar Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted mail mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

North Cedar Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 282,796	\$282,796	0.0%	\$ 5,111,059	5.5%
2011	July 1, 2009	-	256,006	256,006	0.0%	5,058,675	5.1%
2012	July 1, 2009	-	256,006	256,006	0.0%	4,947,314	5.2%
2013	July 1, 2012	-	315,949	315,949	0.0%	5,214,525	6.1%
2014	July 1, 2012	-	294,866	294,866	0.0%	5,463,006	5.4%
2015	July 1, 2012	-	264,931	264,931	0.0%	5,162,739	5.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



## Supplementary Information

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects Physical Plant and Equipment</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$82,045	\$282,299	\$431,342	\$ 795,686
Receivables				
Property tax				
Delinquent	-	3,287	1,706	4,993
Succeeding year	-	250,001	166,446	416,447
Income surtax	-	-	142,749	142,749
Total assets	<u>\$82,045</u>	<u>\$535,587</u>	<u>\$742,243</u>	<u>\$1,359,875</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	\$ -	\$ 733	\$ 11,806	\$ 12,539
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	250,001	166,446	416,447
Income surtax	-	-	142,749	142,749
Total deferred inflows of resources	<u>-</u>	<u>250,001</u>	<u>309,195</u>	<u>559,196</u>
Fund balances				
Restricted for				
Student activities	82,045	-	-	82,045
Management levy purposes	-	284,853	-	284,853
Physical plant and equipment	-	-	421,242	421,242
Total fund balances	<u>82,045</u>	<u>284,853</u>	<u>421,242</u>	<u>788,140</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$82,045</u>	<u>\$535,587</u>	<u>\$742,243</u>	<u>\$1,359,875</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>	
			Physical Plant and Equipment	
Revenues	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>	<u>Total</u>
Local sources				
Local taxes	\$ -	\$300,186	\$297,600	\$597,786
Other	187,624	7	908	188,539
Total revenues	<u>187,624</u>	<u>300,193</u>	<u>298,508</u>	<u>786,325</u>
Expenditures				
Current				
Instruction				
Regular	-	73,732	-	73,732
Other	208,882	-	-	208,882
Total instruction	<u>208,882</u>	<u>73,732</u>	<u>-</u>	<u>282,614</u>
Support services				
Administration	-	26,812	4,500	31,312
Operation and maintenance of plant	-	228,368	37,542	265,910
Transportation	-	-	83,014	83,014
Total support services	<u>-</u>	<u>255,180</u>	<u>125,056</u>	<u>380,236</u>
Other expenditures				
Facilities acquisition	-	-	225,199	225,199
Total expenditures	<u>208,882</u>	<u>328,912</u>	<u>350,255</u>	<u>888,049</u>
(Deficiency) of revenues (under) expenditures	(21,258)	(28,719)	(51,747)	(101,724)
Other financing sources				
Proceeds from disposal of real property	-	-	72,501	72,501
Change in fund balances	(21,258)	(28,719)	20,754	(29,223)
Fund balances, beginning of year	<u>103,303</u>	<u>313,572</u>	<u>400,488</u>	<u>817,363</u>
Fund balances, end of year	<u>\$82,045</u>	<u>\$284,853</u>	<u>\$421,242</u>	<u>\$788,140</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,699	\$ 7,787	\$ 9,486
Inventories	<u>7,149</u>	<u>-</u>	<u>7,149</u>
Total current assets	8,848	7,787	16,635
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>46,189</u>	<u>-</u>	<u>46,189</u>
Total assets	<u>55,037</u>	<u>7,787</u>	<u>62,824</u>
<b>Deferred Outflows of Resources</b>			
Pension realated deferred outflows	<u>23,538</u>	<u>1,593</u>	<u>25,131</u>
<b>Liabilities</b>			
Current liabilities			
Accrued salaries and benefits	-	3,996	3,996
Unearned revenue	<u>6,246</u>	<u>-</u>	<u>6,246</u>
Total current liabilities	6,246	3,996	10,242
Noncurrent liabilities			
Net pension liability	<u>102,776</u>	<u>2,696</u>	<u>105,472</u>
Total liabilities	<u>109,022</u>	<u>2,696</u>	<u>111,718</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>39,196</u>	<u>1,028</u>	<u>40,224</u>
<b>Net Position</b>			
Net investment in capital assets	46,189	-	46,189
Unrestricted	<u>(115,832)</u>	<u>1,660</u>	<u>(114,172)</u>
Total net position	<u>\$ (69,643)</u>	<u>\$ 1,660</u>	<u>\$(67,983)</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 4

	School <u>Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	<u>\$242,982</u>	<u>\$29,316</u>	<u>\$272,298</u>
Operating expenses			
Support services			
Administration			
Salaries	8,259	-	8,259
Benefits	4,168	-	4,168
Purchased services	<u>3,480</u>	<u>-</u>	<u>3,480</u>
	<u>15,907</u>	<u>-</u>	<u>15,907</u>
Operation and maintenance of plant			
Purchased services	<u>938</u>	<u>-</u>	<u>938</u>
Non-instructional programs			
Salaries	162,866	21,235	184,101
Benefits	44,926	1,770	46,696
Purchased services	2,967	-	2,967
Supplies	246,231	1,773	248,004
Depreciation	<u>8,910</u>	<u>-</u>	<u>8,910</u>
	<u>465,900</u>	<u>24,778</u>	<u>490,678</u>
Total operating expenses	<u>482,745</u>	<u>24,778</u>	<u>507,523</u>
Operating income (loss)	<u>(239,763)</u>	<u>4,538</u>	<u>(235,225)</u>
Non-operating revenue			
Interest income	13	-	13
State sources	3,716	-	3,716
Federal sources	<u>220,873</u>	<u>-</u>	<u>220,873</u>
Total non-operating revenue	<u>224,602</u>	<u>-</u>	<u>224,602</u>
Net income (loss) before transfers and capital contributions	(15,161)	4,538	(10,623)
Transfers in	14,000	-	14,000
Capital contributions	<u>22,375</u>	<u>-</u>	<u>22,375</u>
Increase in net position	21,214	4,538	25,752
Net position, beginning of year, as restated	<u>(90,857)</u>	<u>(2,878)</u>	<u>(93,735)</u>
Net position, end of year	<u>\$ (69,643)</u>	<u>\$ 1,660</u>	<u>\$ (67,983)</u>

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 5

	School <u>Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 243,179	\$29,316	\$ 272,495
Cash payments to employees for services	(226,468)	(20,149)	(246,617)
Cash payments to suppliers for goods and services	(218,854)	(1,773)	(220,627)
Net cash provided by (used in) operating activities	<u>(202,143)</u>	<u>7,394</u>	<u>(194,749)</u>
Cash flows from non-capital financing activities			
Transfers from other fund	14,000	-	14,000
State grants received	3,716	-	3,716
Federal grants received	184,036	-	184,036
Net cash provided by non-capital financing activities	<u>201,752</u>	<u>-</u>	<u>201,752</u>
Cash flows from capital and related financing activities			
Proceeds of capital contributions	22,375	-	22,375
Acquisition of capital assets	(22,375)	-	(22,375)
Net cash provided by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	13	-	13
Net increase (decrease) in cash and cash equivalents	(378)	7,394	7,016
Cash and cash equivalents, beginning of year	2,077	393	2,470
Cash and cash equivalents, end of year	<u>\$ 1,699</u>	<u>\$ 7,787</u>	<u>\$ 9,486</u>

**Reconciliation of operating income (loss) to net cash provided by (used in) operating activities**

Operating income (loss)	\$(239,763)	\$ 4,538	\$(235,225)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	8,910	-	8,910
Commodities used	36,837	-	36,837
(Increase) in inventory	(2,075)	-	(2,075)
(Decrease) in net pension liability	(37,050)	(972)	(38,022)
(Increase) in deferred outflows of resources	(8,395)	(1,196)	(9,591)
Increase in deferred inflows of resources	39,196	1,028	40,224
Increase in unearned revenue	197	-	197
Increase in accrued salaries and benefits	-	3,996	3,996
Net cash provided by (used in) operating activities	<u>\$(202,143)</u>	<u>\$ 7,394</u>	<u>\$(194,749)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015 The District received \$36,837 of federal commodities.

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
District-wide				
Interest	\$ 80	\$ 64	\$ 30	\$ 114
Elementary				
Student productions	11,975	4,388	6,473	9,890
Pop sales	2,850	2,851	3,287	2,414
Art club	600	660	1,139	121
Publications	345	1,544	1,415	474
Middle school				
Publications	2,580	2,505	3,733	1,352
Pop sales	1,472	154	764	862
Student clubs	7,698	5,969	5,157	8,510
Cheerleading	43	1,193	164	1,072
Student council	567	-	-	567
Instrumental	4,468	1,836	1,167	5,137
Trail blazers	1,760	-	-	1,760
EPA grant	385	-	-	385
Drama/speech	720	147	-	867
Lego league	-	746	746	-
High school				
Dance Team	275	505	100	680
Drama/speech	1,694	2,464	1,672	2,486
Vocal	2,843	5,626	5,970	2,499
Instrumental	109	3,691	2,860	940
Cross country	230	1,624	1,576	278
Basketball	765	20,406	20,414	757
Rigby athletic fund	433	21,505	18,907	3,031
Volleyball	8,846	12,712	15,971	5,587
Football	10,117	29,707	43,856	(4,032)
Baseball/softball	3,716	3,374	7,544	(454)
Track	39	15,044	15,064	19
Golf	220	741	856	105
Wrestling	783	5,512	6,281	14
Cheerleading	703	5,454	5,554	603

See accompanying Independent Auditor's Report.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
High school (continued)				
Student productions	\$ 301	\$ 195	\$ 41	\$ 455
FFA	4,284	6,801	7,250	3,835
National Honor Society	1,772	1,958	2,304	1,426
Peer counselors	1	-	-	1
Publications	1,459	5,635	4,060	3,034
Student council	986	2,129	1,831	1,284
Alumni	2,698	925	-	3,623
Music trip	3,202	4,765	4,845	3,122
Mock Trial	26	-	-	26
Pop sales	512	1,238	1,230	520
Athletic pop	620	125	345	400
Math club	4,668	3,650	2,342	5,976
Class of				
2012	988	-	988	-
2013	670	-	670	-
2014	899	25	25	899
2015	5,391	397	4,186	1,602
2016	4,714	4,106	4,986	3,834
2017	1,192	95	55	1,232
2018	-	925	151	774
Business club	1,120	3,762	2,630	2,252
Spanish club	1,484	471	243	1,712
Totals	<u>\$ 103,303</u>	<u>\$ 187,624</u>	<u>\$ 208,882</u>	<u>\$ 82,045</u>

See accompanying Independent Auditor's Report.



NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Local sources										
Local tax	\$ 4,630,303	\$ 4,461,007	\$ 5,139,921	\$ 5,360,624	\$ 5,035,907	\$ 4,791,634	\$ 4,603,433	\$ 4,658,388	\$ 4,143,199	\$ 3,401,906
Tuition	375,677	396,618	497,268	363,573	450,145	230,221	265,431	387,240	316,302	244,152
Other	350,139	384,162	286,206	282,073	304,159	251,631	299,801	402,379	622,830	567,369
Intermediate sources	-	5,300	-	22,660	2,100	1	5,000	3,600	-	-
State sources	5,818,617	5,609,350	4,911,529	4,882,891	4,860,959	4,159,271	4,921,920	4,608,140	4,470,751	4,325,048
Federal sources	230,320	181,459	183,099	330,137	290,348	829,767	175,112	177,087	202,397	203,813
<b>Total revenues</b>	<b>\$ 11,405,056</b>	<b>\$ 11,037,896</b>	<b>\$ 11,018,023</b>	<b>\$ 11,241,958</b>	<b>\$ 10,943,618</b>	<b>\$ 10,262,525</b>	<b>\$ 10,270,697</b>	<b>\$ 10,236,834</b>	<b>\$ 9,755,479</b>	<b>\$ 8,742,288</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$ 4,372,169	\$ 4,410,925	\$ 3,835,825	\$ 3,595,088	\$ 3,786,888	\$ 3,590,035	\$ 3,812,771	\$ 3,744,165	\$ 3,429,668	\$ 3,173,137
Special	1,265,673	1,587,061	1,607,372	1,466,837	1,519,769	1,473,976	1,120,654	1,259,738	1,181,217	1,089,512
Other	1,136,070	1,148,491	1,003,233	1,163,869	1,069,886	1,067,654	1,123,930	771,955	839,603	799,141
Support services										
Student	231,062	215,766	192,035	193,820	130,986	153,834	156,380	158,852	141,787	138,542
Instructional staff	98,588	103,559	121,548	77,205	60,769	45,514	51,143	70,706	84,487	94,777
Administration	1,147,887	1,041,356	1,125,795	992,744	907,229	958,656	933,945	852,488	814,706	804,765
Operation and maintenance										
of plant	1,031,501	1,002,775	997,144	877,163	977,634	964,771	935,197	835,103	722,218	657,080
Transportation	609,472	599,861	567,563	476,384	442,282	465,283	423,014	392,216	376,169	345,569
Central support	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	-	1,163	-	433	-	-	530	-	-	-
Other expenditures										
Facilities acquisition	4,240,348	530,267	189,296	117,671	91,405	210,494	331,730	3,428,718	8,058,800	1,145,123
Long-term debt										
Principal	6,420,294	799,626	650,000	620,000	590,000	570,000	545,000	315,000	305,000	285,000
Interest and other charges	578,204	378,560	426,208	329,606	353,476	375,577	398,327	413,259	355,003	365,940
AEA flowthrough	359,670	354,791	347,442	344,996	385,045	377,231	339,105	316,671	310,823	294,949
<b>Total expenditures</b>	<b>\$ 21,490,938</b>	<b>\$ 12,174,201</b>	<b>\$ 11,063,461</b>	<b>\$ 10,255,816</b>	<b>\$ 10,315,369</b>	<b>\$ 10,253,025</b>	<b>\$ 10,171,726</b>	<b>\$ 12,558,871</b>	<b>\$ 16,619,481</b>	<b>\$ 9,193,535</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
North Cedar Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Cedar Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 3, 2016. I did not issue an opinion on the North Cedar Community School District Foundation, which is included in the District's financial statements as a discretely presented component unit, because I was not engaged to and did not audit the Foundation. Except as discussed in the preceding sentence, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered North Cedar Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Cedar Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of North Cedar Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as

described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items A, B, C and D to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Cedar Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### North Cedar Community School District's Responses to the Findings

North Cedar Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. North Cedar Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in

considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of North Cedar Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 3, 2016

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were reported.

**SIGNIFICANT DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Signature Pre-printed on Checks - I noted that the District checks bear pre-printed signatures of the Board President and Board Secretary. Since the Board Secretary enters the check information into the computer system and is authorized to print the checks, this procedure negates the internal control developed by the requirement for checks to bear dual signatures.

Recommendation - I recommend that the use of the pre-printed signatures be discontinued or that procedures be altered so that the involvement of two individuals is required to issue a check. For instance, one individual could be authorized to enter and prepare the check in the accounting system and another individual be authorized to print the check.

Response - We will investigate alternatives to current procedures to provide adequate controls over the issuance of checks.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

- C. Material Misstatements not Detected - During the course of my audit, I discovered some material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not accrue the retainage on construction contracts of \$161,989 in the Statewide Sales, Services and Use Tax Fund, resulting in the expenditures and fund balance to be understated on the CAR. Loss on investments of \$183,809 was not recorded in the Debt Service Fund, resulting in the expenditures and fund balance being underreported on the CAR. Termination benefits payable and other post-employment benefits payable were not updated for the year ended June 30, 2015, resulting in the long-term debt and governmental activities to be underreported on the CAR by \$87,351.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

- D. Unallowable Transfers - During the course of my audit, I noted that there was \$14,000 transferred from the General Fund to the School Nutrition Fund. It appears that this was an unallowable transfer.

Recommendation - The Enterprise Funds (School Nutrition Fund and Daycare Fund) of the District need to be self-supporting per the Code of Iowa and Administrative Rules of Iowa. Permanent transfers from other funds to Enterprise Funds for the purpose of reducing or removing deficit balances is not allowed. The District should contact the Iowa Department of Education to determine an appropriate resolution to this situation.

Response - We will investigate possible actions to resolve this matter.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the amounts budgeted in the other expenditures function, as well as total expenditures.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa to sufficient amounts and in the appropriate function so expenditures would not exceed the amounts budgeted.

Response - This budget over-expenditure was a result of calling and redeeming \$5,865,000 of bonds during the year ended June 30, 2015. Future budgets will be amended appropriately and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, it was noted that the minutes from the November board meeting were not made available to the publisher timely in compliance with Chapter 279.35 of the Code of Iowa.

Recommendation - The Code of Iowa requires that the District make available to the publisher the proceedings of all regular or special meetings, within two weeks of the adjournment of such meeting. I recommend that the District ensure that all minutes are made available to the publisher in compliance with the Code of Iowa.

Response - This was an inadvertent oversight. In the future, we will make all minutes available to the publisher within two weeks of the meeting in compliance with the Code of Iowa.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education; however, there were some material misstatements as detailed in comment C in Part I of this Schedule of Findings.

Recommendation - The District should ensure that all reports contain correct information in the future.

Response - We will ensure that future CARs contain correct information when it is filed with the Iowa Department of Education.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:



NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Beginning balance		\$ 2,107,672
Revenues		
Statewide sales and services tax revenue	\$ 805,297	
Interest earned	3,047	
Bond proceeds	4,370,000	
Capital lease proceeds	<u>455,081</u>	5,633,425
Expenditures/transfers out		
School infrastructure		
Equipment	\$ 462,106	
School infrastructure construction	4,015,149	
Debt service for school infrastructure		
Revenue debt	<u>606,905</u>	<u>5,084,160</u>
Ending balance		<u>\$ 2,656,937</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The elementary pop sales, staff gifts, retirement reception expenses and meals for inservice meetings reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify these accounts to the appropriate fund.

Response - We have reviewed the activity in the Student Activity Funds and will reclassify these accounts/expenditures to the General Fund.

Conclusion - Response accepted.

14. Deficit Net Position - The District's Enterprise Fund, School Nutrition Fund had negative unrestricted net position of \$115,832 and negative total net position of \$69,643 at June 30, 2015. The Total Enterprise Funds and Business Type Activities also had negative unrestricted net position of \$114,172 and negative total net position of \$67,983 at June 30, 2015. The District's Governmental Activities had an unrestricted net position deficit of \$2,594,159 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return the fund to a sound financial condition.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Response - These deficits were a result of adopting GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes, as needed.

Conclusion - Response accepted.

NORTH CEDAR COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2015

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant